



STAFF REPORT INFORMATION ONLY

City Manager's Library Service Efficiency Study

Date:	December 12, 2011
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is to provide the Toronto Public Library Board with information about the findings and recommendations in the City Manager's Library Service Efficiency Study completed by DPRA Canada.

The DPRA report acknowledges TPL's efficient and effective operations and its commitment to continuous improvement using Lean Six Sigma principles. The report validates TPL's efficiency initiatives in areas such as the consolidation of delivery hub operations, the streamlining of holds processes, the implementation of RFID technology, the review of management and administration and the Library's ongoing development of strategies to increase virtual library services.

The report identifies three key areas of savings:

- DPRA recommends a 13% reduction in open hours in 2012. The Library Board has been considering, at its October and November meetings, a 7% reduction in open hours;
- branch consolidations or closures are included in the recommendations with 14 - 15 branches identified for consolidation in 2013;
- in the area of RFID technology, the report further recommends the installation of an automated sorter at the Ellesmere delivery hub, which requires an increase to the Library's 2012 capital budget request.

DPRA has provided comments and recommendations about other areas, some of which are not included in the Statement of Work. These savings are primarily beyond 2012 and include programming, cost recovery, the Toronto Reference Library and some other minor process efficiency suggestions.

Total savings for 2012, 2013 and beyond is estimated at \$8.603 to \$8.821 million. However, the report acknowledges that if open hour reductions and branch consolidations are both implemented, the overall savings would be less due to double counting.

FINANCIAL IMPACT

At its meeting of November 21, 2011, the Library Board considered and deferred a decision regarding reductions in hours of service.

The City Manager's Library Service Efficiency Study completed by DPRA Canada recommends efficiencies that are estimated at \$8.603 to \$8.821 million in 2012, 2013 and beyond:

- DPRA recommends a 13% reduction in open hours for \$7.0 million in savings in 2012. The Library Board has been considering at its October and November meetings, a 7% reduction in open hours for \$5.437 million in savings;
- branch consolidations or closures are included in the recommendations with 14 - 15 branches identified for consolidation for \$3.682 to \$4.0 million in savings in 2013;
- in the area of RFID technology, the report further recommends the installation of an automated sorter at the Ellesmere delivery hub, which represents an increase to the Library's 2012 capital budget request of \$1.69 million for annualized net operating savings of \$225,000.

Pending approval by the Library Board and City Council, the installation of an automated sorter at the Ellesmere delivery hub could be operational by July 2012, resulting in efficiency savings without affecting branch services.

A separate report to the December 12 Library Board meeting entitled *2012 Operating Budget – Update*, includes a recommendation for the Board to approve the sorter installation at the Ellesmere delivery hub and to request City approval for the additional \$1.69 million capital funding required in 2012.

The Director, Finance and Treasurer has reviewed this financial impact statement and is in agreement with it.

DECISION HISTORY

To address Toronto's 2012 budget challenges, City Council launched a review of services and approved the *Service Review Program, 2012 Budget Process and Multi-Year Financial Planning Process* on April 12, 2011. City agencies were included in the Core Services Review and User Fee Study, and the Library was identified to participate in the City's Service Efficiency Study along with a number of other City departments, boards and agencies.

A 10% budget reduction target was set for City departments, boards and agencies, which corresponds to \$17.044 million for the Toronto Public Library. At its meeting on June 7, 2011, the Board received a *2012 Service Review Program and Budget Update*, which provided additional details on the proposed Core Services Review, User Fee Study and the Service Efficiency Studies.

At its meeting on July 26, 2011, the Board considered the *Core Service Review – City*

Manager's Report and requested the City Librarian to report on the status of the Service Efficiency Studies.

At its meeting on September 13, 2011, the Board deferred consideration of opportunities identified in the *Core Service Review – City Manager's Report* until Service Efficiency Studies are complete and the results are considered by the Board.

Also, at the September 13, 2011 meeting, the Board received a *Service Efficiency Update*, which provided details on efficiency savings identified by Library staff and approved the following motions arising from this report:

1. *requests the City Librarian to report back to the Board's next meeting on the service efficiency studies;*
2. *requests the City Manager to forward to Toronto Public Library the contract, including the terms of reference and scope for the DPRA Canada and other service efficiency studies involving the Library;*
3. *requests the City Manager to submit to the Board the results of the service efficiency studies for its consideration prior to the approval of the 2012 budget submission.*

The City Librarian updated the Board on the status of the City Manager's Service Efficiency Study at its October 17, 2011 meeting as part of the *2012 Operating Budget Submission* report to the Board.

A request was made to the City Manager for information regarding the terms of reference and scope of work for the Service Efficiency Study conducted by DPRA Canada. The Statement of Work has been provided by the City Manager (Attachment 1).

The City Manager's Service Efficiency Study of the Library using third party consultants began in August 2011. A covering memo from the City Manager, Joe Pennachetti along with the resulting report from DPRA are provided in this report to the Board (Attachment 2).

ISSUE BACKGROUND

The City Manager's Library Service Efficiency Study was led by third party consultants, DPRA Canada. The areas of focus for the City Manager's review include: the rationalization of services such as the number and distribution of library locations, days and hours of operation, space and facilities utilization; the use of digital technology and the viability of increased use of virtual services and e-business; and the collections-handling processes involved in borrowing, returning, delivery and shelving library collections. DPRA's Statement of Work as supplied by the City Manager is provided (Attachment 1).

The Library started its own efficiency review in April in response to the 10% budget reduction target that was set for City departments, boards and agencies. The focus of the Library reviews was on the process-intensive areas of library operations to identify efficiencies and minimize any impact on customer service. Staff was trained in Lean Six Sigma methodologies; front-line staff and supervisors throughout the Library were involved in work groups, questionnaires and brainstorming sessions in an effort to utilize staff expertise and gather suggestions. The result of the Library review was reported to the Board as part of the *2012 Operating Budget Submission*: \$8.362 million in savings was identified through service consolidations, technology-driven efficiencies, business process re-engineering, detailed budget reviews and management and support staff reductions. Revenue increases of \$1.355 million added to the savings and a total of \$9.717 million was approved by the Board as savings for the 2012 budget target at its October 17, 2011 meeting.

DPRA Canada's review started at the beginning of August with completion originally expected by the end of September. Library staff attended several meetings, provided background information and tours of representative locations including the delivery hub.

There is considerable overlap between the DPRA Statement of Work and the Library staff-led efficiency reviews, specifically with regard to circulation, delivery and use of technology.

COMMENTS

The DPRA report acknowledges TPL's efficient and effective operations and its commitment to continuous improvement using Lean Six Sigma principles. The DPRA report validates the Library's efficiency initiatives in areas such as the consolidation of delivery hub operations, the streamlining of holds processes, the implementation of RFID technology, the review of management and administration and the Library's ongoing development of strategies to increase virtual library services.

RFID Sorter at Delivery Hub

In the area of RFID technology, the report recommends the installation of an automated sorter at the Ellesmere delivery hub at a capital cost of \$1.69 million and annual net savings of \$225,000. The Library supports the installation of an RFID sorter for the delivery hub pending approval of the additional capital funding.

Open Hour Reductions

DPRA recommends a reduction in open hours in the magnitude of 35,164 hours, a 13% reduction in the current open hours for estimated savings of \$7.0 million. The Board has been considering at its October and November meetings, reductions in open hours totalling 19,444 hours, a savings of \$5.437 million or a 7% reduction in the current open hours. At its November 21, 2011 meeting, the Board approved a motion that there be no

reduction to branch open hours and requested the City Librarian to identify alternatives to open hours reductions.

DPRA's approach to open hours has been to open only at peak times while TPL's approach has been to balance volume of use with the needs of various customer groups such as children and seniors. If open hour reductions were to be considered by the Board, the Library's approach is preferred for its lesser impact on access and service delivery and more considered understanding of the needs of various customer groups.

Branch Consolidations

Branch consolidations or closures are included in the recommendations with 14 - 15 branches identified for consolidation and savings amounting to \$3.68-\$4.0 million. The methodology used to identify these branches is substantially the same methodology used by the Library in its 1999 report to the Board on branch closures and consolidations, and with similar results. Branches were evaluated through a performance matrix and location analysis to identify branches with:

- low usage (bottom quartile) compared to all other branches;
- overlapping service areas with one or more branches in less than a 1.6 km radius;
- branch size of less than 10,000 square feet and a catchment population of fewer than 25,000 people.

The DPRA report suggests that these current consolidations would not compromise service delivery. There is no acknowledgement in the report that the nearby branches do not have the capacity to absorb additional use without additional resources. This is true from both an operating and capital budget perspective. If branch consolidations are to be considered, there would need to be an investment in nearby branches, which would reduce the savings identified by DPRA.

The report also suggests that the planning and public consultation for branch consolidations take place in 2012 with closures implemented in 2013. The Library Board and City Council have not endorsed branch consolidations or closures. However, the City Manager plans to include Library branches in his study of public facilities in 2012 to assess opportunities for shared facilities for cost savings and efficiency purposes, as reflected in recommendation 9 of the DPRA report.

Savings from open hour reductions and branch consolidations have been added together. The report acknowledges that if open hour reductions and branch consolidations are both implemented, the overall savings would be less due to double counting.

Other Areas

DPRA has provided comments and recommendations about other areas, some of which are not included in the Statement of Work. These savings are primarily beyond 2012 and include programming, cost recovery, the Toronto Reference Library and some other minor process efficiency suggestions.

Savings of \$50,000 to \$100,000 annually in reduced programming is suggested for 2013. Areas recommended for reductions include programs on health and wellness, business and finance, use of software and career planning. The suggestion that public libraries should not conduct programs in these areas is out of step with other public libraries throughout the world. In fact, in an economic downturn, the value of libraries providing information and programs in the areas of financial literacy, small business development and career planning has been highlighted in many reports and other forums.

With regard to the Toronto Reference Library, the report suggests future savings are to be determined and that \$150,000 could be assumed beyond 2012. DPRA did not tour or investigate the Toronto Reference Library as part of its work, so it is not clear how this estimated savings was determined. There have already been savings identified through efficiencies at the Toronto Reference Library in the 2011 and 2012 budget processes and there is ongoing commitment to future continuous improvements.

The DPRA report also suggests \$500,000 in savings in 2013 through cost recovery for some programs and services, and acknowledges the Library is already reviewing a number of the suggestions identified in the report such as online payment for fines. Other suggestions for cost recovery include charging for holds not picked up which is addressed in a separate report before the Board.

An additional \$250,000 is identified as savings from other minor efficiencies for 2012 - 2013. The Library-led efficiency review already included process reviews in many of the areas identified such as the size of trucks used for delivery routes, holds processing, re-shelving operations and Home Library Service. These areas and others will continue to be reviewed for efficiencies and savings as part of the Library's commitment to continuous improvement of its operations.

CONTACT

Vickery Bowles; Director, Collections Management and City-Wide Services;
Tel: 416-395-5506; Fax: 416-395-5500; Email: ybowles@torontopubliclibrary.ca
Larry Hughsam; Director, Finance & Treasurer; Tel: 416-397-5946; Fax: 416-393-7115;
Email: lhughsam@torontopubliclibrary.ca

SIGNATURE

Jane Pyper
City Librarian

ATTACHMENTS

Attachment 1: Toronto Public Library (TPL) -- Statement of Work for External Management Consultants Roster Assignment #9144-11-7001-Cat2MC05-11

Attachment 2: Memo from City Manager Joe Pennachetti and DPRA Report